

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7405

BILL NUMBER: SB 378

NOTE PREPARED: Jan 8, 2007

BILL AMENDED:

SUBJECT: Taxation of Certain Aircraft Services.

FIRST AUTHOR: Sen. Young R Michael

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: *Use Tax:* This bill provides a limited Use Tax exemption for an aircraft that is titled or registered in another state or country and is temporarily brought to Indiana to be repaired, refurbished, remanufactured, or subjected to a prepurchase evaluation.

Sales Tax: The bill expands the limited Sales Tax exemption under current law for a transaction involving an aircraft to include transactions in which the aircraft that is purchased by a nonresident remains in Indiana for up to 30 days after the aircraft is repaired, refurbished, or remanufactured.

Aircraft License Excise Tax: The bill also expands the exemption from the aircraft registration requirements under the Aircraft License Excise Tax Statute for a nonresident who bases an aircraft with a dealer while the aircraft is being repaired, remodeled, or refurbished to include aircraft that are based with a person that has been issued a repair station certificate by the Federal Aviation Administration.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend Sales and Use Tax forms, and Aircraft License Excise Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: *Summary of Revenue Impact:* This bill could result in an indeterminable decrease in Sales and Use Tax and Aircraft License Excise Tax (ALET). The bill provides for a new Use Tax exemption, and expands the Sales Tax exemption, for aircraft purchased by nonresidents. The bill also

expands the exemption for nonresidents from registering an aircraft for the purposes of imposing the ALET.

Use Tax: The bill provides that Use Tax may not be imposed on the exercise of any right or power over an aircraft if that aircraft is:

- (1) titled, registered, or based in another state or country;
- (2) delivered to Indiana by or for a nonresident owner or purchaser;
- (3) delivered to Indiana for the sole purpose of repair, refurbishment, remanufacture, or prepurchase evaluation (as defined in the bill); and
- (4) transported out of Indiana after completion of any work listed in item (3).

Sales Tax: The bill also amends the Sales Tax exemption for an aircraft purchased by a nonresident. Under current state an aircraft is exempt from Sales Tax if:

- (1) purchased by a nonresident;
- (2) transported out of Indiana within 30 days of delivery; and
- (3) will be titled or registered for use in another state or country and not titled or registered in Indiana.

The bill moves the exemption to a new code cite, and adds certain provisions to the exemption requirements. The bill adds the ability for a nonresident purchaser to receive the exemption for an aircraft if it is transported out of Indiana within 30 days after completion of a repair, refurbishment, or remanufacture of the aircraft. The bill also adds that an exemption may be granted if the aircraft will be based in another state or country (in the case of a state or country that does not require an aircraft to be titled or registered).

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Aircraft License Excise Tax: The bill adds repair station (as defined in the bill) to the list of places a nonresident may base an aircraft for repair, refurbishment, or remodeling in Indiana for more than 60 days without registering the aircraft for the purposes of imposition of the ALET. Currently an aircraft may only be exempt from this registration if the aircraft is based for repair, refurbishment, or remodeling in Indiana with a dealer. Please note that a nonresident only needs to complete the ALET registration if the aircraft will be based in Indiana for more than 60 days.

ALET Revenues are distributed on a quarterly basis to the county where the aircraft is usually located when it is not being operated. However, in Allen County, the funds go to the Ft. Wayne Airport Authority quarterly.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Aircraft License Excise Tax:* In FY 2006, there was approximately \$595,000 in ALET collections. The weight, class, and age of the aircraft determine taxes owed. Revenues are distributed on a quarterly basis to the county where the aircraft is usually located when it is not being operated. However, in Allen County, the funds go to the Ft. Wayne Airport Authority quarterly.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: County Airport Authorities; Ft. Wayne Airport Authority.

Information Sources:

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